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TRANSMITTAL OF CIA ANALYSIS

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CIA/OER/S-06787-75

21 FEB 1975

MEMORANDUM FOR: Mr. Howard L. Worthington
Deputy Assistant Secretary for
Trade and Investment Policy
Department of the Treasury

SUBJECT : Transmittal of CIA Analysis of World
Demand for US Soybean and Meal, 1974/75

1. In response to a request by your office to [REDACTED] we are transmitting a study on the World Demand for US Soybeans and Meal in the current marketing year 1974/75. The analysis is aimed at determining whether or not US supplies of soybeans are adequate to meet both domestic and foreign demand as projected by USDA.
2. This is our first attempt at analyzing the complex oilseed market. Therefore, we would appreciate knowing whether the study meets your needs and how it can be improved.
3. Because of the possible interest of other governmental components in this subject, this office may send copies of the attached paper to other interested officials.
4. Please let us know if we can be of any further assistance on this subject. Queries concerning the attached paper should be directed to [REDACTED] code 143, extension 5868.

[REDACTED]

Chief
Industrial Nations Division
Office of Economic Research

Attachment:
As stated

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WORLD DEMAND FOR US SOYBEANS AND
MEAL, 1974/75

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20 FEBRUARY 1975

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AGRICULTURE AND MATERIALS
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FOR OFFICIAL USE ONLYWORLD DEMAND FOR US SOYBEANS AND MEAL IN 1974/75INTRODUCTION

This report reviews the world oilseed situation for the purpose of determining foreign demand for US soybeans and meal in the 1974/75 marketing year (MY 75)*. The US soybean crop in 1974 was about 21% smaller than in 1973 while exports of beans and meal are forecast by USDA** to decline by only 9%. Such a level of export would considerably reduce the US carryover of soybeans, as well as the amount available for domestic use.

Any forecast of the 1974/75 supply/demand for US soybeans and meal must be very tentative. World supply and export availability for soybeans include harvests several months away in the Southern Hemisphere. In addition, the market for soybeans is influenced by the availability of a number of other major oilseeds, as well as fishmeal and copra. On the demand side, more uncertainty than usual is resulting from the economic downturn in major consuming countries, including the US.

* The 1974/75 marketing year for soybeans extends from 1 September 1974 through 31 August and for meal 1 October - 30 September.

** References to USDA estimates in this report pertain to those by the official Supply and Demand Estimates Committee of 17 January 1975 or those used during the National Outlook Conference in December 1974.

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PRINCIPAL FINDINGS

- Reported foreign sales of US soybeans and meal for MY 75 were grossly exaggerated last summer and fall by grain brokers as insurance against possible US export controls.
- Much of the excess reported as sales to three countries -- the Netherlands and West Germany for both soybeans and meal, and Japan for soybeans -- is likely to be postponed or cancelled.
- Since last fall the soybean meal market has deteriorated because of the slump in demand for meat world wide causing a buildup in meal stocks to undesired levels. Import demand is up only for Eastern Europe.
- The demand for soy oil also has been weakened by competition from other oils -- particularly palm oil. Crushing has been reduced and oilseed stocks have accumulated.
- We estimate that US soybean exports will fall near the lower end of USDA's export range of 12.5 - 13.3 million tons.
- Soybean meal exports also will be lower by 1/2 to 1 million tons than the 5 million tons estimated by USDA.
- US stocks of beans on 1 September 1975 are likely to exceed current USDA estimates and could approximate 4 million tons.
- Prices of soybeans are likely to trend downward for the next few months but meal prices are expected to fluctuate around current levels.

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WORLD OILSEED PRODUCTION

1. World production of soybeans in 1974 is currently estimated* by USDA at 51.2 million metric tons, 12 percent below the record 1973 crop of 57.9 million tons. This decline reflects a 21½ drop in the US crop, to 33.6 million tons, caused by a 6% decline in harvested acreage and a 15% drop in yields due to poor weather. Despite this decline, the US slipped only slightly from its usual role of accounting for at least three-quarters of the world production and exports of soybeans and meals. (Table 1)

2. The sharp decline in US soybean production was only partially offset by larger soybean production elsewhere, particularly in Brazil. Brazil's output jumped nearly 2.5 million tons to about 7.5 million tons in 1974, and unofficial estimates of the 1975 harvest (during April and May) range between 8.5 and 10 million tons; at present we estimate output will be about 9 million tons. Argentina is following Brazil's pattern of expansion of the early 1960's with a 1974 crop of 475,000 tons compared with 272,000 tons in 1973. Paraguay and Columbia, while still minor producers, also increased their acreage. France began soybean production

*Reflects final estimate of the US 1974 crop released on 16 January 1975.

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TABLE 1

WORLD PRODUCTION AND EXPORTS OF SOYBEANS AND SOY
MEAL, CALENDAR YEARS, 1969-74

(million metric tons)

	<u>US</u>	<u>Brazil</u>	<u>PRC</u>	<u>Other</u> ^{1/}	<u>World</u>
<u>Production</u>					
1969	30.8	1.1	6.2	2.4	40.5
1970	30.7	1.5	6.9	2.7	41.8
1971	32.0	2.1	6.7	2.8	43.6
1972	34.6	3.7	6.3	2.9	47.5
1973	42.6	5.0	6.7	3.6	57.9
1974	33.6	7.5	6.7	3.9	51.7
<u>Exports: Beans</u>					
1969	8.5	0.3	0.5	Negl.	9.3
1970	12.0	0.3	0.4	Negl.	12.7
1971	11.5	0.2	0.5	Negl.	12.3
1972	12.0	1.0	0.4	0.1	13.5
1973	13.2	1.8	0.3	0.1	15.4
1974	14.9	2.8	0.0	0.1	17.8
<u>Exports: Meal & Cake (Meal basis)</u> ^{2/}					
1969	3.0	0.2	0.0	0.0	3.2
1970	3.7	0.5	0.0	0.0	4.2
1971	4.1	0.9	0.0	0.0	5.0
1972	3.6	1.4	0.0	0.0	5.0
1973	4.4	1.6	0.0	0.0	6.0
1974	3.1	2.2	0.0	0.0	7.3

^{1/} Mainly Argentina, USSR, Indonesia, and South Korea^{2/} Meal is equivalent to about 80% of the weight of the crushed beans.

in 1974 with an estimated crop of 9,000 tons. The 1974 Soviet soybean crop is estimated at 500,000 tons, a 16% increase over 1973, reflecting further recovery in yield. Although the absolute size of soybean production in the PRC is not known, there is general agreement that production in 1974 changed little from that in recent years.

3. Helping to offset the decline in world soybean production this year is an estimated 4% increase in world output of other oilseeds. (Table 2) Combined with soybeans, world production of oilseeds (and fishmeals all combined on a soybean meal basis) in 1974/75 is forecast at 61.5 million tons, or only 7% less than last year's record. In addition to the soybean estimates discussed above, this forecast is based on the following assumptions:

- 1975 Peruvian fishmeal output of 1.5 million tons nearly 600,000 tons more than 1974 on a soymeal basis.
- 1974 Soviet sunflowerseed production of 6.75 million tons, gross basis, or 200,000 tons less than a year earlier in terms of soybean meal.
- 1974 Indian peanut crop of 5.0 million tons, down 260,000 tons (soybean meal basis) from last year, offset by an increase in Nigerian peanut crop.

4. From 1965 through 1973, world consumption of oilseeds (and fishmeals) apparently increased on the average of slightly more than 2 million tons annually. Thus, a 7%

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TABLE 2

ESTIMATED WORLD PRODUCTION OF SELECTED OILSEEDS
AND FISH MEALS (IN MEAL EQUIVALENT^{1/}), CROP YEARS 1973-75^{2/}

	Million Metric Tons			Percent Change
	1972/73	1973/74	1974/75	1975 1974
Total	<u>56.1</u>	<u>66.1</u>	<u>61.5</u>	<u>-7</u>
Soybeans	<u>35.5</u>	<u>43.3</u>	<u>37.8</u>	<u>-13</u>
US	<u>28.5</u>	<u>34.4</u>	<u>27.8</u>	<u>-19</u>
Brazil	<u>3.7</u>	<u>5.1</u>	<u>6.2</u>	<u>+22</u>
Other	<u>3.3</u>	<u>3.8</u>	<u>3.8</u>	<u>0</u>
Other than Soybeans	<u>20.6</u>	<u>22.8</u>	<u>23.7</u>	<u>+4</u>
Peru (fish)	<u>0.6</u>	<u>1.6</u>	<u>2.2</u>	<u>+38</u>
Other fish	<u>4.5</u>	<u>4.6</u>	<u>4.8</u>	<u>+4</u>
India (peanuts)	<u>1.3</u>	<u>1.9</u>	<u>1.6</u>	<u>-16</u>
Nigeria (peanuts)	<u>0.4</u>	<u>0.1</u>	<u>0.4</u>	<u>+300</u>
Canada				
(rapeseeds)	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>0</u>
USSR (sunflower)	<u>1.6</u>	<u>2.3</u>	<u>2.1</u>	<u>-9</u>
All others ^{3/}	<u>11.7</u>	<u>11.9</u>	<u>12.2</u>	<u>+2</u>

Source: USDA 1975 Outlook Conference

^{1/} Expressed in 44% soybean meal equivalent, calculated from assumed extractions rates and applied to the portion of the crop available from crushing and/or export and not actual crushing. Since USDA prepared this table in December, the US soybean output has been revised downward slightly and Peru's 1974 and 1975 fish catch has been revised downward because anchovy fishing season was terminated early in December 1974. This would be offset, however, by the revision upward of Brazil's estimated soybean production to about 9 million tons.

^{2/} Includes Northern Hemisphere crops harvested in the second half of the first year stated, combined with estimates of Southern Hemisphere crops harvested in the first half of second year stated.

^{3/} Including cottonseed, linseed, copra, and palm kernels.

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or 4.6 million ton decline in world production could indicate a tight situation depending on how much of the 10 million ton increase in 1974 was added to world stocks and how much world demand for oilseed products will decline because of the current recession.

US SUPPLY/DEMAND SITUATION

5. In recent years, of the available supply of US soybeans about one-third has been exported, (Table 3) one half has been crushed, and the remainder used for seed, feed, and carryover stocks. The crushed beans result in about 80% meal of which about one-third has been exported, and 18% oil.

SOYBEANS

6. During MY 74 US exports of soybeans increased by 14% to 14.8 million tons. On 17 January USDA forecast that exports in MY 75 will decline to about 12.9 million tons (mid-point of USDA range 12.5-13.3 million tons). As of 2 February, MY 75 SOES* amounted to 17.1 million tons (including nearly 1 million tons to unknown destinations). One factor that tends to support the USDA estimate is that actual export shipments from 1 September through 2 February 1975 were moving at a projected annual rate of only 12.7 million tons, still well within the USDA range. (Figure 1). Another

*Shipments plus outstanding export sales.

indication that SOES is unrealistically high is that cancellations of outstanding export contracts are exceeding new export sales -- by about 544,000 tons during December and 400,000 tons in January. This situation results from the fact that prospects for a poor US crop during the summer of 1974 caused major world importers of US soybeans and meal to over-buy and US exporters to overbook (the so-called insurance policies) for MY 75. During the fall, US traders reported that they expected a high level of cancellations. We have learned that so-called "firm contracts" for international sales have little meaning; commodity firms can change contract conditions, even for contracts with firm prices, quality specifications, etc., at any time by mutual agreement.

SOYBEAN MEAL

7. During MY 74, 22.3 million tons of soybeans were crushed in the United States, resulting in 17.8 million tons of meal. The amount crushed increased by 14% over the volume during the previous year, partially because of the strong export demand for vegetable oil. Exports of meal increased to 5.0 million tons in MY 74, up from 4.3 million tons the previous year. This year the crush is expected to be 9% lower

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TABLE 3

US SOYBEANS AND SOYBEAN MEAL: SUPPLY AND DEMAND

(million metric tons)

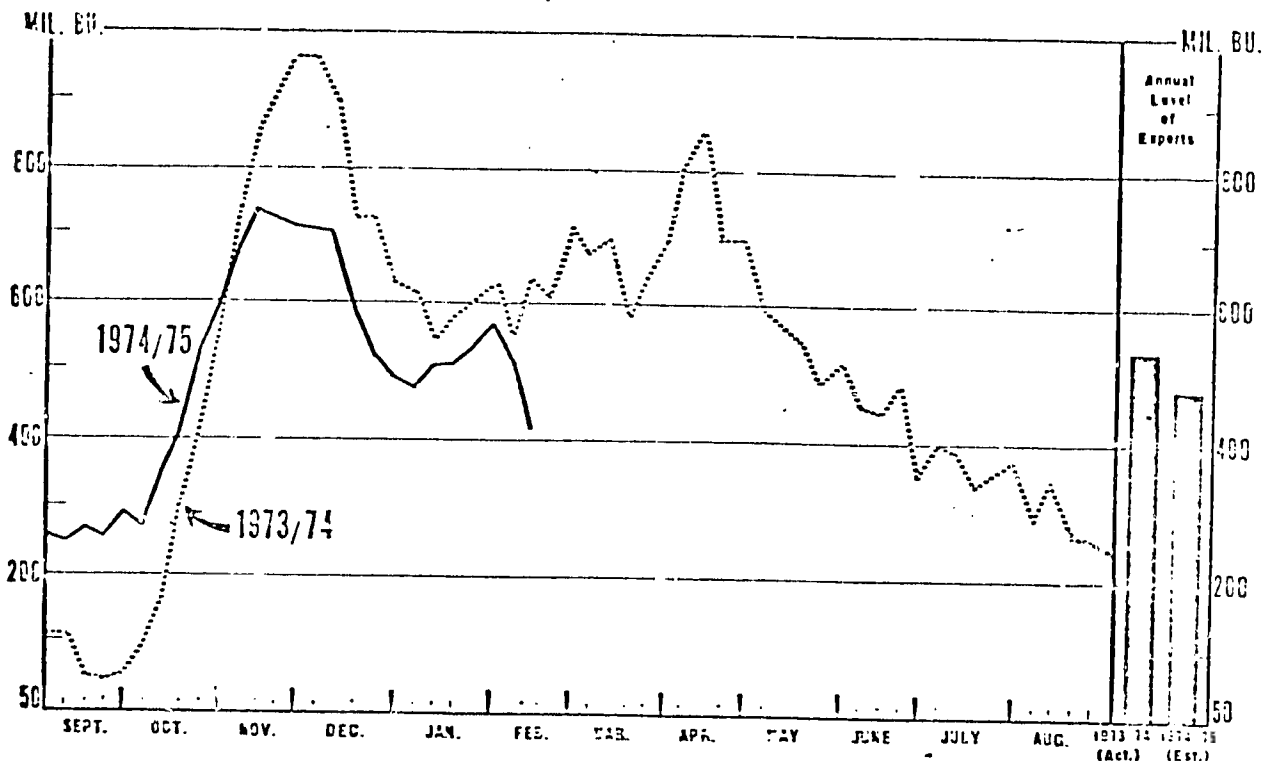
	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	Mid-point of <u>1974/75 range</u>	Percent Change ^{1/} <u>1974/75</u> <u>1973/74</u>
<u>Soybeans</u>						
Supply:						
Stocks, beginning	<u>37.0</u>	<u>34.7</u>	<u>36.6</u>	<u>44.2</u>	<u>38.3</u>	<u>-14</u>
(1 September)	6.3	2.7	2.0	1.7	4.7	+187
Production	30.6	32.0	34.6	42.6	33.6	-21
Disappearance:	<u>34.3</u>	<u>32.8</u>	<u>34.8</u>	<u>39.6</u>	<u>35.5</u>	<u>-10</u>
Crush	<u>20.8</u>	<u>19.7</u>	<u>19.6</u>	<u>22.3</u>	<u>20.4</u>	<u>-8</u>
Seed, feed, re-						
sidual	1.7	1.8	2.2	2.5	2.2	-13
Exports	11.8	11.3	13.0	14.8	12.9	-13
Carryover, 31 August	2.7	1.9	1.7	4.7	2.7	-42
<u>Soybean Meal</u>						
Supply:						
Stocks	<u>16.5</u>	<u>15.6</u>	<u>15.3</u>	<u>18.0</u>	<u>16.6</u>	<u>-8</u>
(1 October)	0.1	0.1	0.2	0.2	0.5	+173
Production	16.4	15.4	15.2	17.8	16.1	-9
Disappearance:	<u>16.3</u>	<u>15.4</u>	<u>15.2</u>	<u>17.6</u>	<u>16.1</u>	<u>-8</u>
Domestic disap-						
pearance	12.2	12.0	10.9	12.6	11.2	-11
Exports	4.1	3.4	4.3	5.0	5.0	0
Carryover, 30 Sept.	0.1	0.2	0.2	0.5	0.5	+3

Source: USDA, Agricultural Supply and Demand Estimates, 17 January 1975

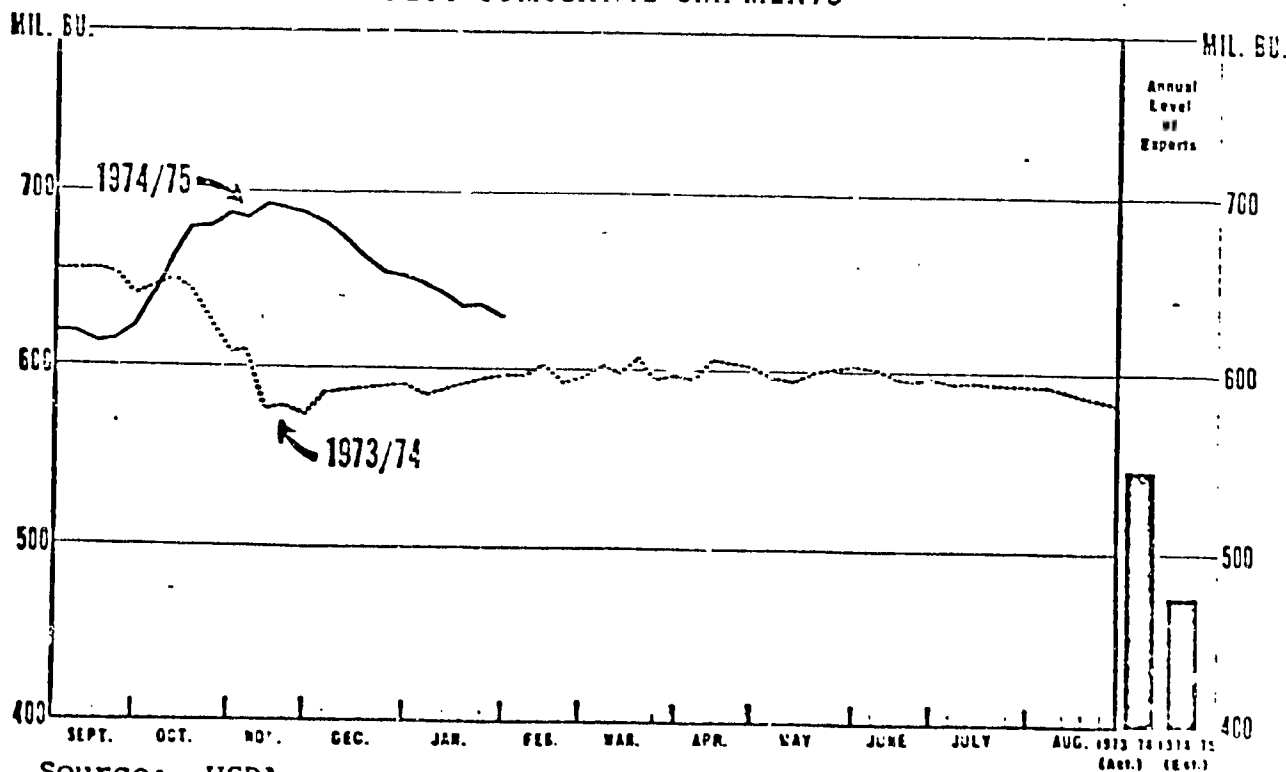
1/ Computed from unrounded data. Approved For Release 2001/12/05 : CIA-RDP86T00608R000600010020-4

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SOYBEAN WEEKLY EXPORT SHIPMENTS (Annual Rate)



SOYBEAN OUTSTANDING EXPORT SALES PLUS CUMULATIVE SHIPMENTS



Source: USDA

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because of a slump in domestic demand for meal. While USDA expects domestic consumption of meal to decline by about 10%, foreign demand is forecast at last year's level of 5.0 million tons. Export shipments through 2 February 1975 moved at an annual rate of only 4.2 million tons, even though SOES still stood at 8.9 million tons. The export rate increased in January (Figure 2), with about 400,000 tons exported during the month. Cancellations during the month reduced outstanding export sales by another 600,000 tons -- another indication that reported export sales for meal still are unrealistically high.

STOCKS

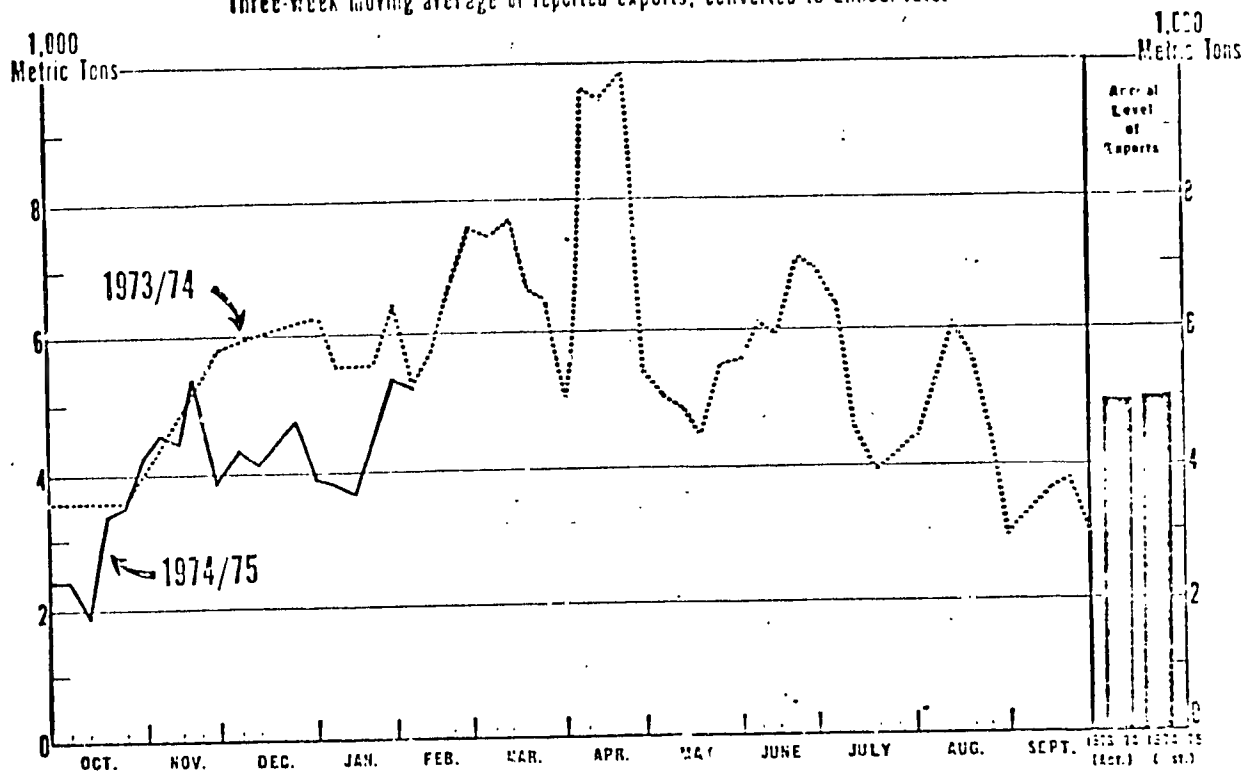
3. Because of the excellent 1973 soybean crop and despite the high level of bean exports and domestic crush during MY 74, the US added 3 million tons of beans to carry-over stocks on 1 September 1974 for a total of 4.7 million tons, compared with only 1.7 million tons -- only a 2½ week supply -- a year earlier. While a stock of 4.7 million tons is considerably less than those in the late 1960's of 6 to 8 million tons, it is more than adequate. USDA forecasts that bean stocks will be drawn down to 2.7 million tons by the end of the current marketing year if both domestic and export demands are as large as now projected.

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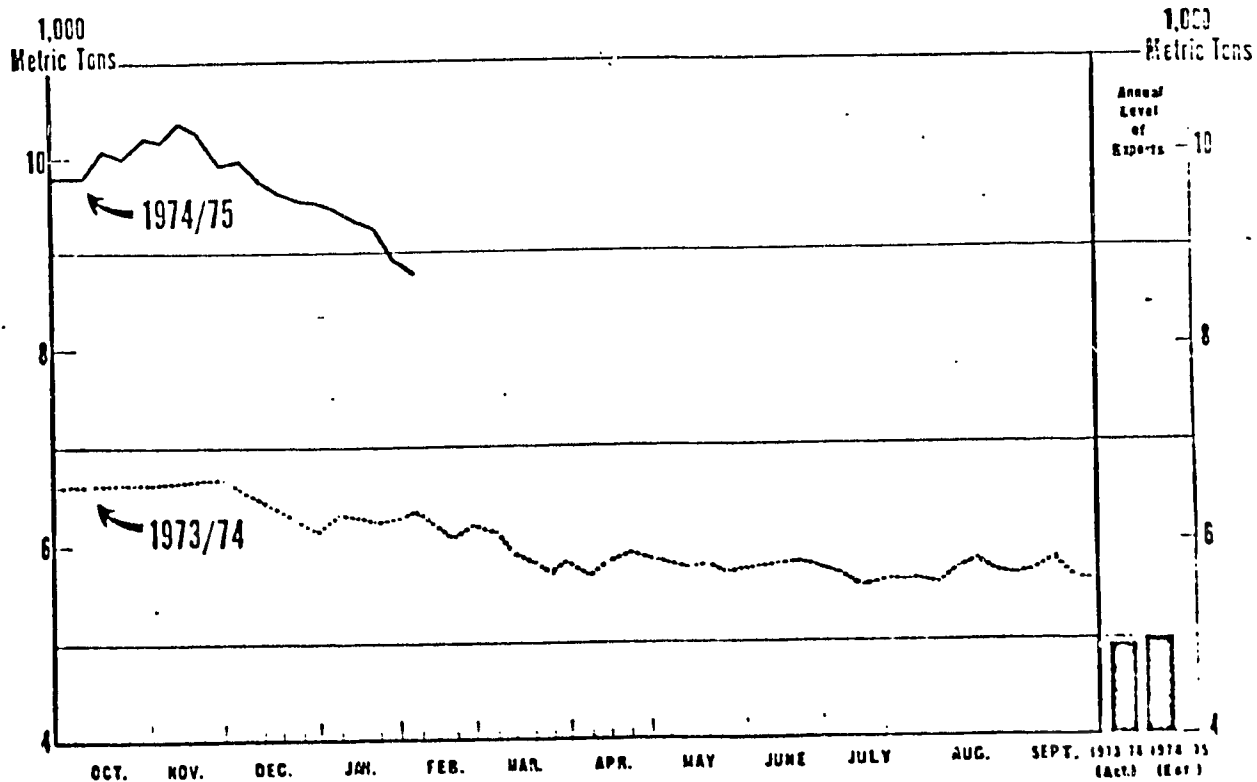
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SOYBEAN MEAL WEEKLY EXPORT SHIPMENTS (Annual Rate)

Three-week moving average of reported exports, converted to annual rate.



SOYBEAN MEAL OUTSTANDING EXPORT SALES PLUS CUMULATIVE SHIPMENTS



Source: USDA

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9. Stocks of meal, which are normally small because meal does not store well, were built to a burdensome level of 500,000 tons by 1 October 1974 because of the large crush and a decrease in domestic consumption of meal during 1974. Since 1 October a continuing slump in domestic demand for meal and slowing rate of exports has caused soybean processors to sharply cut their crushing rate. However, USDA forecasts no change in the meal carryover by the end of this marketing year.

USDA EXPORT PROJECTIONS VS THOSE FROM OTHER SOURCES

10. A comparison of USDA's projection of US soybean and meal exports for MY 75 with similar projections by private companies involved in soybean trade shows a remarkable similarity between the estimates. In fact, a chronological tabulation of the projections indicates that most private companies do little independent estimating and in most cases simply use USDA estimates.

11. The only significant exception were estimates made by Oil World, a West German information service. In October its estimate of US soybean export volume was placed at 12.4 million tons, 10% below USDA's October estimate and soybean meal at 6.2 million tons, 11% above USDA's estimate. These estimates indicated that the total

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volume of soybean and meal exports, when combined on a soymeal equivalent basis, would approximate those of USDA. In December, however, Oil World indicated that its October estimates of US exports were probably too high, but did not give revised estimates.*

DEMAND FOR US SOYBEANS BY MAJOR IMPORTERS, MY 75

12. During the past two marketing years, the EC-9 have taken more than 45% of US soybean exports, with the Netherlands and West Germany being the major buyers. Nearly 70% of the soymeal exports also went to the same area, with West Germany, France, Italy, and the Netherlands being the major buyers. Spain is also an important customer for soybeans and Japan ranks with the leading European buyers of beans, although the volume decreased last year. Most of the increase in 1973/74 bean imports took place in Western Europe, PRC, and Mexico, while the increase in meal imports occurred in Western Europe and small importers in Latin America and Asia.

13. For the current marketing year USDA predicts that exports of beans will decrease by 12% while meal exports will remain the same as 1973/74. (Table 4) The decrease in bean exports is expected to result from 6% less going to

* See the Annex for Oil World estimates of the world oilseed and meal situation for MY 75.

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TABLE 4
US SOYBEAN AND MEAL EXPORTS, BY DESTINATION,
1973/74 AND 1977/75 ESTIMATES

(MILLION METRIC TONS)

	Soybeans			Soymeal		
	1973/74	Estimate 1974/75	SOES (as of 2 Feb. 75 ^{1/}	1973/74	Estimates 1974/75	SOES (as of 2 Feb. 75 ^{1/}
US	6.97	6.53	9.00	3.06	3.00	5.48
Other Western Europe	1.55	1.52	1.57	0.31	0.34	0.09
Eastern Europe	0.15	0.14	0.21	0.84	0.99	1.21
Japan	2.69	3.13	4.02	0.12	0.02	0
Other Asia				0.14	0.13	0.02
Canada	0.36	0.30				
Western Hemisphere			0.23	0.50	0.48	0.37
Other	3.02	1.31	1.07	0.28	0.04	0
Total	14.75	12.93	16.10 ^{2/}	4.99	4.99	7.17 ^{2/}

^{1/} Shipments plus outstanding export sales

^{2/} Known destinations only. Unknown destinations plus transshipments through Canada brings the totals to 17.15 million tons of soybeans and 8.9 million tons of meal.

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the EC-9 and a cut of 50% in exports to other minor countries. These reductions would more than offset a considerable increase in the volume of beans going to Japan.

THE EC AND OTHER WEST EUROPEAN COUNTRIES

14. Table 4 also indicates that a large share of the excess in the SOES over the USDA predicted exports occurs in EC-9. Reported sales to the Netherlands and West Germany account for more than 1.5 million tons of the soybean excess and all of the soymeal excess, while reported sales to Japan account for about 1 million tons of the excess for soybeans. Some of the SOES reportedly going to the two EC countries represent transshipments through those countries to other EC countries and to Eastern Europe and possibly the USSR. The limited data available on the volume transshipped in recent years indicates, however, that such transshipments could account for only a small share of the excess.

15. Official US reporting and Oil World are the only recent sources available for estimating demand for US soybeans and meal in Europe. Dutch officials told a special USDA team in early December that stocks of soymeal in the Netherlands were large, prices low, crushing margins very thin or negative, and prospects for early improvement were dim, at least during the next 3-4 months. The officials also stated that USDA

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estimates of US soybean and meal exports to the Netherlands in MY 75 were somewhat high (2.9 million tons of soybeans vs. 2.8 million tons in MY 74, and 345,000 tons of meal vs. 280,000 tons in MY 74). Reuters News Service also reported in November that demand for compound feed in Northern Europe had declined by 15-20% during the previous six months, due to its high cost and the reduced profit in the livestock market. On the other hand, West German officials said in November that the USDA estimates for their country might slightly understate their demand. Also official projections in November of Spain's soybean needs were a little higher this year than last year's actual imports, therefore about equal to the USDA estimate.

16. Oil World in recent months has seen the recession affecting demand for both oil and meal in the EC. In December they predicted consumption of meal in Western Europe as a whole would decline by 3-4% this marketing year. In January they indicated that the demand picture continued slack and that an upturn would have to come in the form of:

- *Persistent very cold weather in Europe and America, which would cause a shift from pasture and hay to compound feeds, or big Soviet/East European meal purchases;

- *Reappearance of El Nido, which dramatically cut Peruvian fishmeal output for several years;

°An increase in world-wide demand owing to the very attractive price relationship vis-a-vis grains coupled with a prospective shortage of hay and other roughage in the spring.

Oil World believes the latter situation has the best chance of coming about, yet prospects for that are poor because the numbers of poultry and pigs, major consumers of oilmeals, are declining "sizeably to sharply" in Western Europe and North America. In general, however, Oil World is not ruling out an improvement in the general world economic situation by the middle of 1975, mainly because of the strong counter-measures being initiated in the US and West Germany. Yet a delay until mid-year would have little impact on demand in this marketing year.

17. Thus, it appears quite certain that SOES, which far exceed last year's actual exports, are completely unrealistic for the EC during MY 75. Even those estimates of USDA that are quite near last year's volume may be high.

EASTERN EUROPE AND THE USSR

18. Crushing capacity limits Eastern Europe's imports of oilseeds, but the area has been an expanding market for meal. In December Oil World forecast that MY 75 soy meal consumption would increase by 10-11% in Eastern Europe and by 8-9% in the USSR due to rapidly expanding animal numbers.

One US soybean exporter's Newsletter described Eastern Europe as the only bright spot in the marketplace for meal. There have been persistent rumors in the trade that the USSR has made large purchases of meal though Western Europe. So far, there is no evidence that the USSR will import US soybeans or meal this marketing year, despite a poor domestic sunflower seed crop and bargain prices for US soybeans.

19. USDA's estimate that meal shipments direct to Eastern Europe in MY 75 will be nearly 1 million tons, up from about 850,000 tons in each of the past two years. Export shipments so far in MY 75 have been in line with the estimate and Embassy reporting in January 1975 generally supports the estimate. SOES as of 2 February exceeded the estimate by about 20% , but there is some evidence that contract cancellations can be expected. Oil World reports that in Hungary the numbers of pigs and poultry have been reduced sharply since mid-1974 and stocks of meal apparently are large. The same situation probably could have developed in other East European countries as meat export prospects have deteriorated.

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WORLD TOTAL

22. No unexpected purchases of US soybeans and meal appear possible from areas of the world not discussed above, and USDA's estimates for such areas seem reasonable. In total we would estimate that US soybean exports to all countries

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during MY 75 will reach 12.5-13.0 million tons and that soymeal exports will probably be in the range of 4.5-5.0 million tons. For soybeans, our estimate falls in the lower end of the USDA range, but for soymeal, our estimate implies a level possibly 10% below the lower end of the USDA range. We feel that demand for soymeal is likely to continue slack in Europe -- both East and West -- forcing more cancellations of contracts than are now anticipated.

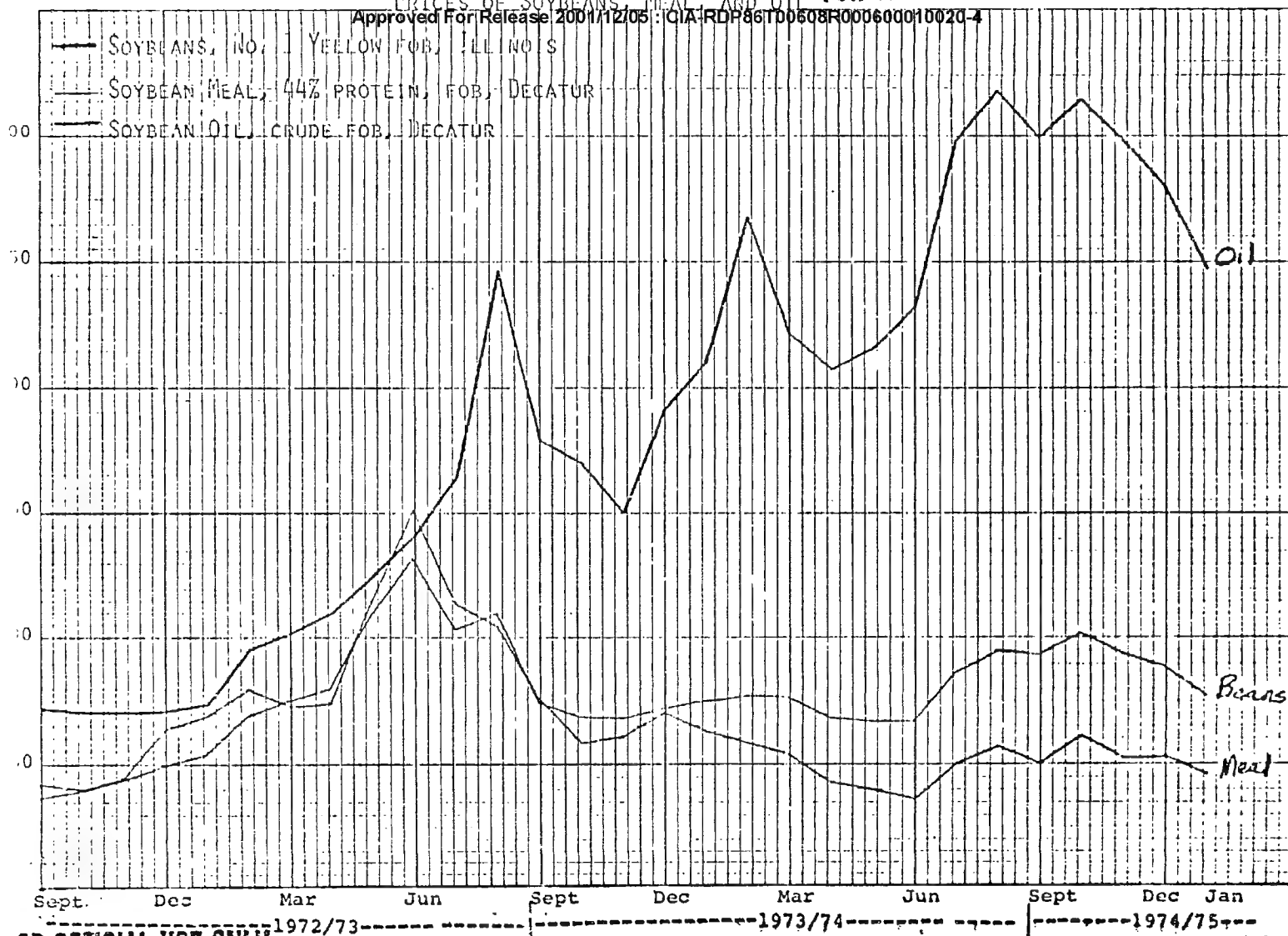
PRICE TRENDS

23. Prices in the soybean complex have declined sharply since October and oil prices, although declining, are still relatively high (Figure 3). Oil continues to account for a disproportionate share of the value of the beans. In May and June 1974, poor prospects for the US crop and commodity speculation caused a steep rise in soybean prices, particularly for oil, supplies of which had been tight for nearly two years. Meal prices were also pulled up, but not as much as for oil because of depressing factors in the market -- weakness in meal demand resulting from the world surplus of meal and large oilmeal inventories built up by the continuing crush of beans to meet oil demand. The decline in soy prices since October 1974 reflects the impact of the world economic slump on demand, the retreat from excess agricultural commodity speculation, and

FIGURE 2
PRICES OF SOYBEANS, MEAL, AND OIL

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pressure from competing oil supplies in the world market -- particularly from palm oil. Oil and meal users are also piling inventories accumulated at higher prices and delaying forward buying in anticipation of lower prices.

24. Given the present outlook for a larger US crop this year, soybean prices will continue to fluctuate downward unless unexpected demand develops in the world market. Prices for meal, however, are not expected to go much lower. Meal prices are now extremely attractive, which could bring unexpected purchases from the USSR, Eastern Europe, or the Middle East, and give much strength to the meal market. Until the meal market improves, however, there cannot be much change in price relationships within the soy complex.

25. Oil prices may soften further in the short term but the cut back in crushing both in the US and abroad in recent months is reducing stocks. If oil prices decline further, and if US farmers continue to hold beans as they have since the fall harvest, crushers, who have been depending on oil as a source of more than 50% of their revenue (compared with a normal 30-40%), will again cut back the volume of beans crushed. Crushing margins fell to an average of about 15 cents a bushel in the past three months, compared with an average of 80-90 cents a bushel during the previous two

marketing years. In mid-February crushing margins were reported to be negligible and major crushers were drastically reducing operations. With reduced oil and meal supplies, prices of both may become more sensitive to world demand and 1975 crop prospects.

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ANNEX

26. Oil World presents comprehensive estimates and analysis of the world demand/supply/stock situation for oilseeds and meals.* Data from its December 1974 Semi-Annual Report are summarized in Tables 5 and 6. These data indicate that the world soybean situation probably will not be nearly as tight as USDA forecasts for the following reasons:

- °Production of other oilseeds this year will compensate for the decline in US soybean production, and combined with large beginning stocks this year the total supplies available in MY 75 are nearly equal to those of last year.

- °Disappearance of all oilseeds are likely to be reduced this year owing to large carryover stocks of meal, relatively low meal demand, and poor crushing margins.

- °Soybean crush will be reduced more than other oilseeds because soybeans yield more meal and less oil than any other oilseed.

- °Major world stocks of oilseeds, particularly of soybeans in Brazil, are likely to be much larger on 1 September 1975 than they were a year earlier.

27. Oil World in December forecast that ending US soybean stocks will be 3 million tons, compared with USDA's

*Data on the amount of high protein meal actually produced from the world supply of oilseed and fishcatch are not systematically compiled or published by the USDA. As noted in the footnote to Table 2, USDA data on world production of oilseeds and meals are "not actual crushings"; instead the data expresses in soybean meal equivalents the amount of oilseeds grown and fish caught each year. The total amount actually crushed could be different, however, when stockpiling trends are considered. Neither does it appear that the USDA compiles data carryover stocks of oilseeds on a world basis.

ANNEX TABLE 5

OILSEEDS: WORLD SUPPLY/DEMAND
SITUATION FOR MAJOR OILSEEDS^{1/}

	Million Metric Tons			Percent Change ^{2/}
	1972/73	1973/74	1974/75	1974/75 1973/74
<u>All Oilseeds^{3/}</u>				
Beginning stocks ^{3/} (1 September)	6.0	4.7	8.9	+91
World Production ^{4/}	110.1	124.1	118.9	-4
Total Available	116.1	128.8	127.8	-1
Disappearance	114.4	119.9	118.4	-1
Ending stocks	4.7	8.9	9.4	+6
of which:				
<u>Soybeans:</u>				
Beginning stocks (1 September)	3.4	3.3	7.5	+128
Production	51.8	63.0	57.0	-10
Total Available	55.2	66.3	64.5	-3
Disappearance	51.9	58.8	56.4	-4
Ending stocks	3.3	7.5	8.1	+8
<u>Other Than Soybeans</u>				
Beginning stocks (1 September)	2.6	1.4	1.4	+4
Production	58.4	61.2	61.9	+1
Total Available	61.0	62.5	63.3	+1
Disappearance	59.6	61.1	62.0	+1
Ending stocks	1.4	1.4	1.3	-8

Source: Oil World, Semi-Annual Report, December 1974

^{1/} Excludes fishmeal^{2/} Computed from unrounded data^{3/} Includes stocks of soybeans in major producing and importing countries, US cottonseed, Indian and US peanuts, Canadian rapeseed, and the US, Canadian, and Argentina linseed.^{4/} Includes all major producers of main oilseeds, copra, and palm kernels.^{5/} Includes US, Brazil, China, and other countries.

ANNEX TABLE 6

OILMEALS: WORLD SUPPLY/DEMAND SITUATION
FOR MAJOR OILMEALS (RAW PROTEIN BASIS)^{1/}

	Million Metric Tons			Percent Change ^{2/} 1974/75 1973/74
	1972/73	1973/74	Estimate 1974/75	
Beginning Stocks (1 October)	1.0	0.9	1.4	+69
World Production	27.5	30.4	29.8	-2
Total Available	<u>28.5</u>	<u>31.3</u>	<u>31.3</u>	<u>0</u>
Disappearance	27.6	29.8	30.2	+1
Ending Stocks	0.9	1.4	1.1	-26

Source: Oil World, Semi-Annual Report, December 1974 p. 6

^{1/} Includes fishmeal. Data for soybean meal is not presented separately.

^{2/} Computed from unrounded data.

November estimate of 1.6 million and January estimate of 1.9-3.5 million bushels. Oil World also expects that Brazil will have more than 4 million tons of beans remaining on 1 September 1975, assuming the current forecast of the 1975 harvest amounts to 9.5 million tons. In any case, the extremely low world demand for soymeal causes Oil World to predict that "There will be no shortage of soybean supplies next autumn..." USDA does not publish an estimate of Brazilian soybean carryover.

23. We agree with Oil World that soybean stocks will be larger on 1 September this year than the previous year because of Brazil's larger crop. However, if the cut-back in crushing in major processing countries causes vegetable oil supplies to become tighter and oil prices to turn up again, Brazilian bean stocks could be drawn down quite rapidly this year before the next US crop becomes available.

CIA/OER
20 February 1975